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February 12, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "WTF", is written over the printed name of William T. Fujioka.

SACRAMENTO UPDATE

This memorandum provides an update on Senate and Assembly hearings as part of the Eight Extraordinary Special Session to address the State's fiscal crisis, and information on proposed State jobs initiative legislation.

State Budget

On February 10 and 11, 2010, the Senate Budget and Fiscal Review Committee and the Assembly Budget Subcommittee No. 1 on Health and Human Services held hearings to address a number of the Governor's Special Session Budget proposals.

Senate

The Senate Budget and Fiscal Review Committee adopted a number of mid-year adjustments totaling roughly \$2.5 billion to address the State's \$20 billion budget deficit. According to Chair, Senator Denise Ducheny, the Senate's plan is to complete mid-year actions on the State Budget by the middle of next week at the latest. It is anticipated that the Senate will approve an estimated \$6 billion in mid-year budget solutions.

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Major actions of interest to the County include:

- **Federal Funding for Foster Care.** The Committee adopted the Governor's Budget trailer bill language to expand eligibility for Federal Financial Participation to current State-only foster care cases, subject to Federal approval. If the Federal government agrees to increase financial participation in foster care, the State would need to renegotiate the Title IV-E Waiver to allow Los Angeles County to receive the increased funding. According to the Department of Children and Family Services, this action would result in an estimated County savings of \$42.4 million annually.
- **State Mandates.** The Committee acted to approve most of the Governor's proposed mandate suspensions, but deferred action on the Local Recreational Background Checks mandate (\$3 million statewide) pending further review. This action totaled \$232.2 million in State General Fund savings. If enacted, the suspension would result in a County loss of \$4.0 million and the deferral of \$15.0 million in mandate payments owed to the County in FY 2010-11.
- **Payment Deferrals.** The Committee adopted trailer bill language to allow specific one-time cash deferrals of no more than one month to address shortfalls in March and April 2010 before income tax payments are received.
- The Committee also adopted trailer bill language to authorize cash deferrals in FY 2010-11 that would: 1) address cash shortfalls throughout the budget year; 2) address rating agencies and bond markets' concerns regarding State's inability to react to cash crisis quickly; 3) preserve external borrowing capacity for the State's infrastructure programs; and 4) provide a higher degree of predictability for affected programs and entities.
- **California Department of Corrections and Rehabilitation (CDCR).** The largest single action by the Committee was the approval of an \$811 million reduction to the CDCR budget for prison health.
- **State Employee Compensation.** The Committee also approved \$677.7 million in reductions in State personnel and operating costs that were associated with the Governor's Executive Order S-01-10 and with delaying the pre-payment of post-employment benefits.

Assembly

The Assembly Budget Subcommittee No. 1 on Health and Human Services, chaired by Assembly Member Jerry Hill, also convened a hearing to review the Governor's Special Session Budget proposals for various programs including:

1. CalWORK's 15.7 percent grant and child care reimbursement rate reductions;
2. In-Home Supportive Services (IHSS) wage and service reductions;
3. Elimination of the Cash Assistance Program for Immigrants (CAPI) and California Food Assistance Program (CFAP); and
4. Redirection of County savings from IHSS and CalWORK's reductions to the County share of cost for child welfare programs.

The Committee did not take action on any of these proposals. Representatives from the California Department of Social Services (CDSS) presented the Governor's Special Session Budget proposals, and the Legislative Analyst's Office offered alternative recommendations that affect IHSS service reductions and the CAPI/CFAP Programs. Committee members questioned the Administration's authority to recommend the IHSS budget proposals due to the recent Federal Court action to block similar proposals that were adopted as part of the FY 2009-10 State Budget Act. CDSS representatives explained that they are confident the Administration's appeal in the Ninth Circuit Court will reverse the Court's action and the IHSS cuts would go into effect.

Assembly Members Hector De La Torre and Jim Beall Jr. expressed opposition to the IHSS budget proposals, and various organizations testified in opposition of the proposal including: the County Welfare Directors Association, the California State Association of Counties, Urban Counties Caucus, Western Center on Law and Poverty, labor organizations, immigrant representatives, IHSS providers and IHSS consumers, among others.

Jobs Legislation

On February 9, 2010 Senate President pro Tempore Darrell Steinberg and the Senate Democratic Caucus announced the introduction of a 27-bill package to create 140,000 jobs. The package proposes to invest existing State and Federal funds for targeted projects, expand jobs in energy efficiency and renewable projects, provide job skills training, provide protections for homeowners facing foreclosure, and establish baseline student fees at State and community colleges.

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In addition, on February 10, 2010, the Senate Republicans announced their own legislative package to create private sector jobs, known as California Jobs First in 2010. The proposal will include the following principles: 1) stop California jobs from leaving; 2) restore California's competitive jobs creation climate; 3) reduce government spending and bureaucracy in the budget; 4) initiate regulatory review and relief; and 5) tort reforms.

These two proposals are in addition to the Governor's California Jobs Initiative to create 100,000 new jobs and train an additional 140,000 Californians. This office will review all three proposals for impact to the County and provide your Board with a separate report.

We will continue to keep you advised.

WTF:RA
MR:VE:sb

c: All Department Heads
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